

## Message Text

UNCLASSIFIED

PAGE 01 OTTAWA 00272 232238Z

67

ACTION EUR-12

INFO OCT-01 ISO-00 USIE-00 EB-07 TRSE-00 OMB-01 L-02

CIAE-00 DODE-00 INR-07 NSAE-00 PA-02 RSC-01 PRS-01

SP-02 SSO-00 INRE-00 /036 W  
----- 015268

O 232210Z JAN 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 5477

UNCLAS OTTAWA 0272

EO 11652 NA

TAGS EFIN ETEL SCUL CA

SUBJ TAX STATUS OF ADVERTISING IN TIME/READER'S  
DIGEST AND ON US TV STATIONS

REF OTTAWA 0161

SECRETARY OF STATE J. HUGH FAULKNER ANNOUNCED IN PARLIAMENT  
AT 2P.M. JANUARY 23 GOC INTENT TO CURTAIL TAX EXEMPTIONS  
FOR ADVERTISING IN TIME AND READER'S DIGEST AS WELL AS ON  
US TELEVISION STATIONS. ALL OPPOSITION SPEAKERS SUPPORTED  
FAULKNER STATEMENT. FOLLOWING IS TEXT:  
BEGIN TEXT. MR. SPEAKER, I WISH TO ADVISE THE HOUSE THAT  
THE GOVERNMENT INTENDS, DURING THIS SESSION OF PARLIAMENT,  
TO INTRODUCE LEGISLATION AMENDING SECTION 19 OF THE  
INCOME TAX ACT BY DELETING FROM IT SUB-SECTIONS 2 AND 4.

THE EFFECT OF THESE SECTIONS AS THEY STAND IS TO ACCORD  
TO CERTAIN FOREIGN MAGAZINES - OF WHICH THE MOST IMPORTANT  
ARE TIME AND READER'S DIGEST - ADVANTAGES IN THE FIELD  
OF ADVERTISING WHICH ARE OTHERWISE RESERVED TO  
CANADIAN MAGAZINES AND DENIED TO ALL OTHER FOREIGN  
MAGAZINES. CANADIAN FIRMS ADVERTISING IN CANADIAN  
MAGAZINES ARE ALLOWED, IN CALCULATING INCOME TAX,  
TO DEDUCT THE COSTS OF THOSE ADVERTISEMENTS AT 100  
PERCENT. UNDER THE PRESENT LAW THEY CAN DO THE SAME  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 OTTAWA 00272 232238Z

WITH THE COST OF THEIR ADVERTISEMENTS IN TIME AND

READER'S DIGEST, WHICH ARE FOREIGN MAGAZINES.  
THE INTENT OF SECTION 19, IN THE FIRST PLACE, WAS TO  
SUPPORT THE CANADIAN MAGAZINE INDUSTRY, THEN AS NOW  
WEAKENED BY THE VIRTUAL DOMINATION OF THE MARKET BY  
AMERICAN PUBLICATIONS. INSTEAD OF LEGISLATING AGAINST  
THE ENTRY OF THE AMERICAN MATERIAL, WHICH WOULD HAVE BEEN  
AN INTERFERENCE WITH THE FREE FLOW OF INFORMATION AND  
IDEAS, THE FRAMERS OF SECTION 19 LEGISLATED AN ADVANTAGE,  
OR INCENTIVE, FOR ACTUAL AND POTENTIAL CANADIAN MAGAZINES.  
HOWEVER, THE ADDITION OF SUB-SECTIONS 2 AND 4, NOW TO BE  
DELETED, VITIATED THE INTENT OF THE SECTION BY EXEMPTING  
FROM ITS REQUIREMENTS THE TWO MAIN COMPETING FOREIGN  
MAGAZINES. THE PROPOSED AMENDMENT TO THE INCOME TAX  
ACT WILL, AS OF JANUARY 1, 1976 RESTORE TO SECTION 19  
THE FORCE AND INTENT WHICH ITS AUTHORS HAD IN MIND.  
I AM CONFIDENT THAT THE ENTERPRISE AND SKILL OF THE  
CANADIAN MAGAZINE INDUSTRY WILL SEIZE THIS OPPORTUNITY.  
IT IS MY HOPE AND EXPECTATION THAT THIS DECISION OF  
THE GOVERNMENT WILL RESULT IN THE CREATION OF A  
CANADIAN NEWSMAGAZINE.

I SHOULD ALSO LIKE TO TAKE THIS OPPORTUNITY, MR.  
SPEAKER, TO INFORM THE HOUSE ON BEHALF OF MY  
COLLEAGUE, THE MINISTER OF COMMUNICATIONS, THAT  
THE GOVERNMENT ALSO INTENDS TO RECOMMEND TO THE  
HOUSE A SIMILAR AMENDMENT TO THE INCOME TAX ACT  
IN HIS AREA OF RESPONSIBILITY, TO THE EFFECT THAT  
NO DEDUCTION AGAINST INCOME BE PERMITTED FOR ADVERTISING  
TIME ON A NON-CANADIAN BROADCASTING STATION FOR AND  
ADVERTISEMENT DIRECTED PRIMRILY TO A MARKET IN  
CANADA. SUCH AN AMENDMENT WOULD NOT, OF COURSE, COME  
INTO EFFECT MR. SPEAKER UNTIL SUFFICIENT ADVERTISING  
TIME IS AVAILABLE ON CANADIAN STATIONS TO SATISFY  
CANADIAN NEEDS ADEQUATELY.

THE PURPOSE OF THIS AMENDMENT IS TO CONSTRAIN  
THE SIGNIFICANT OUTFLOW, ESTIMATED AT SOME \$20 MILLION  
A YEAR, BY CANADIAN FIRMS PURCHASING ADVERTISEMENTS  
ON U.S. BORDER STATIONS. THESE STATIONS, MR. SPEAKER,  
ARE NOT LICENSED IN CANADA BUT IN MANY CASES THEY ARE  
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 OTTAWA 00272 232238Z

DESIGNED AND EXIST TO SERVE THE CANADIAN MARKET. I  
SHOULD NOTE THAT THIS AMENDMENT HAS BEEN RECOMMENDED TO  
THE GOVERNMENT BY MANY ORGANIZATIONS, INCLUDING A  
COMMITTEE OF THIS HOUSE AND A COMMITTEE OF THE OTHER  
PLACE. WE BELIEVE, MR. SPEAKER, THAT THIS AMENDMENT  
WILL HAVE THE EFFECT OF RE-DIRECTING FUNDS TO  
CANADIAN BROADCASTERS, AND AS SUCH WILL MAKE  
CANADIAN BROADCASTING OUTLETS ECONOMICALLY MORE

VIABLE. THEIR ECONOMIC STRENGTH IN TURN WILL ENSURE A BROADER SELECTION OF CANADIAN PROGRAMS TO VIEWERS; IT WILL MAKE POSSIBLE BETTER PROGRAMMING; AND IT WILL IMPROVE THE PROSPECTS OF NEW OR PROPOSED CANADIAN STATIONS. IN SHORT, MR. SPEAKER, IT IS OUR BELIEF THAT THIS PROPOSED MEASURE WILL ASSIST IN IMPROVING THE OVERALL QUALITY OF THE CANADIAN BROADCASTING SYSTEM.

IN TAKING THESE STEPS, WE IN THE GOVERNMENT ARE REALLY NOT SO MUCH CONCERNED WITH CERTAIN OF THE NATION'S INDUSTRIES AS WE ARE DEEPLY COMMITTED TO THE NATION'S INTEGRITY. WHAT HAPPENS IN THE AREA OF CANADIAN BOOKS, MAGAZINES, AND BROADCASTING, AS IN OTHER AREAS OF CANADIAN CULTURAL EXPRESSION, IS NOT A MATTER OF MARGINAL INTEREST OR IMPORTANCE. THE STRENGTH, ORIGINALITY AND VISION WE FIND THEREIN IS THE TRUE MEASURE OF WHAT CONSTITUTES OUR NATIONAL LIFE. END TEXT.

PORTER

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TAX LAW, ADVERTISING, TAX RELIEF, CENTRAL GOVERNMENT, CENTRAL LEGISLATURE, TELEVISION BROADCASTING  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 JAN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975OTTAWA00272  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750026-0328  
**From:** OTTAWA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750126/aaaaaxdb.tel  
**Line Count:** 135  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 OTTAWA 0161  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** KelleyW0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 MAY 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 MAY 2003 by SilvaL0>; APPROVED <11 FEB 2004 by KelleyW0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TAX STATUS OF ADVERTISING IN TIME/READER'S DIGEST AND ON US TV STATIONS  
**TAGS:** EFIN, ETEL, CA, READERS DIGEST, TIME MAGAZINES  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006